

## Message Text

PAGE 01 RIO DE 03435 02 OF 02 191416Z

53

ACTION FRB-02

INFO OCT-01 AF-10 ARA-16 ISO-00 SPC-03 AID-20 EB-11 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 L-03

H-03 PA-03 PRS-01 USIE-00 CIAE-00 COME-00 INR-10

NSAE-00 XMB-07 OPIC-12 SSO-00 NSCE-00 INRE-00 IO-13

EUR-25 AGR-20 DRC-01 /200 W  
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O R 191335Z SEP 73

FM AMCONSUL RIO DE JANEIRO

TO SECSTATE WASHDC IMMEDIATE 9293

AMEMBASSY NAIROBI IMMEDIATE

INFO AMEMBASSY BRASILIA

LIMITED OFFICIAL USE SECTION 2 OF 2 RIO DE JANEIRO 3435

6. CHAIRMAN OF MEETING (GALVEAS OF BRAZIL) INVITED ME AND OTHER OBSERVERS TO COMMENT. I EXPRESSED VIEW THAT REGULATION IS NEEDED BECAUSE MONETARY AUTHORITIES CANNOT ALLOW OBJECTIVES OF THEIR MONETARY POLICY TO BE FRUSTRATED BY RECOURSE TO EURO-DOLLAR MARKET. I POINTED OUT THAT THIS PROBLEM WAS NOT LIMITED TO DEVELOPED COUNTRIES, BUT HAD REPERCUSSIONS IN DEVELOPING COUNTRIES AS WELL AS EXEMPLIFIED BY VENEZUELAN CONCERN OVER HIGH INTEREST RATES AND BRAZILIAN EFFORTS TO CURB INFLOW OF FOREIGN FUNDS. I SUGGESTED THAT THE ISSUE WAS NOT WHETHER TO REGULATE THE MARKET BUT WHO WOULD DO IT, AND THAT A REGULATION WHICH WOULD RESPECT MARKET PROCESSES WOULD BE PREFERABLE TO THE USE OF DIRECT CONTROLS. I SAID THAT AN INTERNATIONAL FORM OF REGULATION WAS NEEDED, OTHERWISE COUNTRIES WOULD ACT INDIVIDUALLY AND COMPETITIVELY, AND CONTROLS WOULD PROLIFERATE. I ALSO STRESSED THAT THE PURPOSE OF CENTRAL BANK RESERVE MANAGEMENT  
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PAGE 02 RIO DE 03435 02 OF 02 191416Z

WAS NOT TO MAKE PROFITS AND THAT CENTRAL BANKS SHOULD MINIMIZE PLACEMENT OF RESERVES IN THE EURO-DOLLAR MARKET.

7. SEVERAL SPEAKERS TAKING FLOOR AFTER ME EXPRESSED AGREEMENT WITH MY COMMENTS. MOST OUTSPOKEN WAS GONZALEZ DEL VALLE (EXECUTIVE SECRETARY GENERAL AMERICAN MONETARY COUNCIL) WHO SAID THAT CENTRAL BANKS SHOULD NOT WORRY ABOUT MAXIMIZING PROFITS OR MINIMIZING LOSSES, AND SHOULD MANAGE THEIR RESERVES SO AS TO ACHIEVE DESIRED OBJECTIVES IN THE FIELD OF CREDIT MANAGEMENT. HE STRESSED IMPORTANCE OF EURO-DOLLAR MARKET IN THIS RESPECT AND WARNED THAT GROWING NUMBER OF DEVELOPING COUNTRIES EXPERIENCING UNWANTED INFLOWS OF FOREIGN FUNDS. HE CONCLUDED THAT FRAMEWORK FOR REGULATION OF EURO-DOLLAR MARKET MUST BE DEVELOPED AS PART OF INTERNATIONAL MONETARY REFORM. BUT PAULO LIRA (BRAZIL) PREFERRED NOT TO REGULATE THE SOURCES OF EURO-DOLLAR FINANCING, AND SAID THAT IT WAS UP TO COUNTRIES EXPERIENCING UNWANTED INFLOWS OF FUNDS TO PLACE RESTRICTIONS AGAINST SUCH INFOLWS, AS BRAZIL HAS JUST DONE IN THE FORM OF A 40 PERCENT RESERVE REQUIREMENT AGAINST FOREIGN CURRENCY BORROWINGS.

8. ADOLFO DIZ OF ARGENTINA UNANIMOUSLY ELECTED PERMANENT DIRECTOR OF CEMLA. A REEVALUATION OF CEMLA'S ROLE AND OPERATIONS WILL BE UNDERTAKEN BY THREE-MAN COMMITTEE CONSISTING OF DIZ, CONZALES DEL VALLE (EXECUTIVE SECRETARY CENTRAL AMERICAN MONETARY COUNCIL) AND ONE REPRESENTATIVE OF CENTRAL BANK OF COLOMBIA. BOONSTRA

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## Message Attributes

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**Disposition Comment:** 25 YEAR REVIEW  
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NAIROBI INFO BRASILIA  
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